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# Board Action Bulletin

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*Prepared by the Office of Public & Congressional Affairs*

## NCUA BOARD ACTIONS TAKEN MAY 22, 2003

### ***Final investment rule and RegFlex amendments adopted***

The NCUA Board issued a final rule amending Part 703 of the regulations to clarify and reformat the rule to make it easier to read and locate information, expand FCU investment authority to include purchasing equity-linked options for certain purposes, and exempt RegFlex eligible FCU from several investment restrictions. The change also amends Part 742, the RegFlex Program, to conform to investment rule revisions.

### **Corporate credit union bylaws updated**

The NCUA Board approved updated corporate credit union bylaws to reflect the current legal, technological and financial environment. With the original bylaws issued 20 years ago, corporate credit unions are encouraged, though not required, to adopt any or all of the revised bylaws.

The most significant changes include:

- Corporate bylaws are now written in plain English;
- Many operational issues pertaining to member shares and loans were eliminated;
- Corporate federal credit unions are now permitted to use technology to notify members and conduct elections; and
- An indemnification section was added.

### ***Liquidation rule change permits swap agreements to qualify as financial contracts***

The NCUA Board adopted a final rule change to Section 709.13 amending the involuntary liquidation rule to designate swap agreements as qualified financial contracts (QFCs) to enhance stability of the swaps market and encourage entities to engage in swaps with federally insured credit unions.

The *Federal Credit Union Act* stipulates “the term ‘qualified financial contract’ means any securities contract, forward contract, repurchase agreement, and any similar agreement that the (NCUA) Board determines by regulation to be a qualified financial contract for purposes of this paragraph.”

Generally, designating swap agreements as QFCs enables a QFC counterparty to exercise its contractual rights to terminate and net QFCs thereby protecting itself against the selective

assumption of QFCs by a liquidating agent or conservator. QFC treatment limits counterparty exposure and preserves market stability when a credit union with QFCs enters liquidation or conservatorship.

## ***Government regulation development and review requirements revised***

The NCUA Board issued final rule change *Interpretive Ruling and Policy Statement (IRPS) 03-2* to redefine “small entity” to mean those credit unions under \$10 million in assets.

The *Regulatory Flexibility Act* requires federal agencies to prepare analyses describing the impact of proposed and final rules on small entities. In this context, NCUA has amended its definition of small entity by increasing it from credit unions under \$1 million in assets to credit unions under \$10 million in assets.

The final rule also reiterates NCUA policy of review existing regulations every three years by stating that one-third of existing regulations will be reviewed each year and the public will receive notice of regulations under review.

**Votes are unanimous unless otherwise indicated.**